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THE FOLLOWING REPEATS KUALA LUMPUR 5159

ACTION SECSTATE INFO LONDON 30 OCTOBER 1974.

QUOTE:

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E.O. 11652: N/A

TAGS: EMIN MY

SUBJECT: FIFTEENTH SESSION OF INTERNATIONAL TIN COUNCIL

IN KUALA LUMPUR, OCTOBER 24-29

REF: A. STATE 232238 B. LONDON 13603 C. KL 4985

1. BEGIN LIMITED OFFICIAL USE.

SUMMARY: PRODUCERS PUSH PROPOSALS FOR FIFTH TIN AGREEMENT TO PROMOTE HIGHER, MORE STABLE TIN PRICES BY LINKING FLOOR PRICE TO PRODUCTION COSTS, INCREASING SIZE OF BUFFER STOCK, AND AUTHORIZING BUFFER STOCK MANAGER TO OPERATE IN MIDDLE SECTOR OF PRICE RANGE BETWEEN FLOOR AND CEILING PRICES. CONSUMER MEMBERS' OPPOSITION THESE PROPOSALS APPEAR DIMINISHED SOMEWHAT FROM PREVIOUS MEETINGS. MALAYSIA PROPOSES EXPRESSING FLOOR AND CEILING PRICES IN MALAYSIAN CURRENCY BASED ON PENANG TIN MARKET. BOTH PRODUCERS AND CONSUMERS INFORMALLY EXPRESS DESIRE THAT UNITED STATES

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JOIN ITC FOR FIFTH TIN AGREEMENT. END SUMMARY

2. PROGRAM: OCTOBER 24 -- OPENING OF COUNCIL SESSION AND ADDRESS BY MALAYSIAN PRIME MINISTER TUN ABDUL RAZAK (EMBASSY INVITED); STATISTICAL COMMITTEE (U.S. OBSERVER INVITED); COUNCIL-FIFTEENTH SESSION.

OCTOBER 25 -- CREDENTIALS COMMITTEE; PREPARATORY COMMITTEE FOR FIFTH TIN AGREEMENT (U.S. OBSERVER INVITED); MEETINGS OF PRODUCERS, CONSUMERS, AND EEC MEMBERS; COUNCIL-FIFTEENTH SESSION. OCTOBER 28 -- SEMINAR ON PRODUCTION COSTS PRESENTED BY MALAYSIAN DELEGATION; COUNCIL-FIFTEENTH SESSION; PREPARATORY COMMITTEE FOR FIFTH AGREEMENT (U.S. OBSERVER INVITED).

OCTOBER 29 -- COMMITTEE ON DEVELOPMENT; COMMITTEE ON COSTS AND PRICES; COUNCIL-FIFTEENTH SESSION.

OCTOBER 30 -- COUNCIL-FIFTEENTH SESSION; CLOSING MEETING.

3. PRINCIPAL ISSUES AND POINTS OF SESSIONS TO WHICH EMBASSY OR U.S. OBSERVER INVITED:

A. OPENING SESSION. MALAYSIAN PRIME MINISTER TUN ABDUL RAZAK, IN WELCOMING ADDRESS, COMMENDED ITC ON ESTABLISHING COMMITTEE ON COSTS AND PRICES TO CONSIDER AND REVIEW COSTS OF PRODUCTION IN MEMBER COUNTRIES; NOTED THAT THERE ARE SUBSTANTIAL AREAS TIN CONSUMPTION AND PRODUCTION WHICH LIE OUTSIDE SCOPE INTERNATIONAL TIN AGREEMENT AND HOPED THESE AREAS COULD BE ENCOURAGED PARTICIPATE IN AGREEMENT; AND STATED IMF SHOULD CONSIDER FINANCING TIN BUFFER STOCK TO AUGMENT EFFORTS BRING ABOUT PRICE STABILIZATION. GENERAL ROGELIO MIRANDA (BOLIVIA), FIRST VICE CHAIRMAN ITC, REPRESENTING PRODUCING COUNTRIES STATED IN RESPONSE THAT BEGIN QUOTATION HANGING OVER OUR HOPES LIKE SWORD OF DAMOCLES, ARE CURRENT SALES AND THREAT OF FURTHER RELEASES FROM UNITED STATES STOCKPILE. END QUOTATION

B. STATISTICAL COMMITTEE. ROUTINE PRESENTATION OF LIMITED OFFICIAL USE

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STATISTICAL DOCUMENTS (BEING POUCHED). INDONESIAN DELEGATE OBTAINED CONCURRENCE FOR STUDY CORRELATION GSA STOCKPILE SALES TO MARKET PRICE AND SUPPLY OF TIN. U.K. REPRESENTATIVE SAID VERY LITTLE CORRELATION IN CURRENT MARKET BECAUSE SMALL AMOUNTS GSA TIN PRESENTLY BEING SOLD.

C. PREPARATORY COMMITTEE FOR FIFTH AGREEMENT. FOL-

LOWING PROPOSALS OF PREPARATORY COMMITTEE GENERATED
MOST DISCUSSION AMONG MEMBERS:

(1) FORMEUIZEPRODUCERS' GROUP AND CONSUMERS' GROUP
AS INSTITUTIONS OF COUNCIL. CONSUMERS, ESPECIALLY
USSR, CANADA, AND FRANCE, SPOKE OUT STRONGLY AGAINST
THIS PROPOSAL BECAUSE WOULD TEND POLARIZE TWO GROUPS
WITHIN ITC. AUTHOR OF PROPOSAL, INDONESIA, RESPONDED
THAT THEY DID NOT WANT PUSH FOR INSTITUTIONALIZATION
OEWG GROUPS AGAINST WISHES OF MEMBERS AND DID NOT FEEL
STRONGLY ABOUT PROPOSAL.

(2) SHIFT BURDEN OF FUNDING ITC FROM PRODUCERS TO CON-
SUMERS. FRG DELEGATE ESPECIALLY VOCAL IN OPPOSING
THIS PROPOSAL STATING THEY FAVOR PRESENT FUNDING
ARRANGEMENT WHICH SHOULD BE INCLUDED AS ALTERNATIVE
TO NEW FUNDING PROPOSALS.

(3) BUFFER STOCK OPERATION. SEVERAL PROPOSALS --
LINKING FLOOR PRICES TO PRODUCTION COSTS, INCREASING
SIZE OF BUFFER STOCK, AND AUTHORIZING BUFFER STOCK
MANAGER TO BUY/SELL TIN IN MIDDLE SECTOR OF PRICE RANGE
ESTABLISHED BY ITC -- TOUGHED OFF LENGTHY DISCUSSIONS.
FRG DELEGATE ARGUED FOR GREATER FREE MARKET PLAY IN
TIN MARKETS, OPPOSED LINKING FLOOR PRICES WITH PRODUCTION
COSTS, AND REJECTED INCREASES IN BUFFER STOCK IF CON-
SUMERS MUST BEAR INCREASED COSTS. MALAYSIAN DELEGATE
STATED THAT SINCE 40 PERCENT WORLD PRODUCTION IS TRADED
ON PENANG TIN MARKET, MALAYSIA PROPOSES THAT FLOOR
AND CEILING PRICES BE EXPRESSED IN MALAYSIAN CURRENCY
(RINGGIT) BASED ON PENANG MARKET AS MALAYSIAN CURRENCY
IS MORE STABLE THAN MOST WORLD CURRENCIES, INCLUDING
POUND STERLING, AND THEREFORE WOULD BE MORE USEFUL
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MEDIUM OF EXPRESSING PRICES. RESULT OF DISCUSSIONS
WAS AGREEMENT TO SET UP WORKING COMMITTEE COMPRISED OF
FOUR CONSUMERS AND FOUR PRODUCERS TO STUDY OPERATIONS
OF BUFFER STOCK AND REPORT TO COUNCIL AT JANUARY 1975
MEETING.

4. COUNCIL SESSIONS (U.S. OBSERVER NOT INVITED). PRO-
DUCERS PROPOSED THAT BUFFER STOCK MANAGER BE AUTHORIZED
TO OPERATE IN MIDDLE PRICE RANGE BETWEEN ITB FLOOR AND
CEILING PRICES EFFECTIVE IMMEDIATELY. CONSUMERS RE-
ACTED STRONGLY AGAINST THIS PROPOSAL WHICH WAS DEFEATED.
AT FINAL SESSION ON OCTOBER 30 PROPOSAL WAS PASSED FOR
ITC TO APPROACH IMF CONCERNING FINANCING OF BUFFER
STOCK UNDER FIFTH TIN AGREEMENT. (IMF WAS INVITED
ATTEND KUALA LUMPUR SESSION, BUT DID NOT SEND REPRESENTA-

TIVE). END LIMITED OFFICIAL USE.

5. BEGIN UNCLASSIFIED. PRESS COMMUNIQUE. PRESS RELEASE
OCTOBER 30 CONTAINED FOLLOWING KEY POINT.

A. DATA ON PRODUCTION COSTS FROM PRODUCING COUNTRIES
WILL BE CONSIDERED AT JANUARY 1975 MEETING.

B. QUESTIONS OF PRICE RANGE AND WHETHER AUTHORITY
SHOULD BE GIVEN BUFFER STOCK MANAGER OPERATE IN MIDDLE
SECTOR PRICE RANGE WILL BE ON AGENDA FOR JANUARY '75
MEETING.

C. ITC AGREED TO PURSUE POSSIBILITY OF IMF FINANCIAL
ASSISTANCE TO BUFFER STOCK UNDER FIFTH TIN AGREEMENT.

D. FUTURE ITC SESSIONS FIXED AT 16TH SESSION, LONDON,
JANUARY 28-31, 1975; 17TH SESSION, LONDON, APRIL 14-18,
1975. END UNCLASSIFIED.

6. BEGIN LIMITED OFFICIAL USE. COMMENT. SEVERAL DELE-
GATES COMMENTED TO EMBASSY OBSERVER THAT AS USUAL IN
THESE MEETINGS PRODUCER COUNTRIES ARE THE MOST VOCAL AND PUT
FORTH MAJORITY OF PROPOSALS PRIMARILY DIRECTED AT OBTAIN-
ING HIGHER PRICE FOR TIN. CANADIAN REP, ITC VICE CHAIR-
MAN FOR CONSUMERS, TOLD EMBASSY OBSERVER THAT CANADA,
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FRANCE, AND SEVERAL OTHER CONSUMERS FAVOR INCLUDING
LARGER BUFFER STOCK, OPERATING IN MIDDLE SECTOR PRICE
RANGE, AND FINANCING BY IMF OF BUFFER STOCK IN FIFTH
AGREEMENT. FRG PRINCIPAL ADVOCATE OF STATUS QUO. EMBASSY
OBSERVER WAS NOT ADDRESSED DURING FORMAL SESSIONS, BUT
DURING COFFEE BREAKS AND SOCIAL HOURS BOTH PRODUCERS
AND CONSUMERS EXPRESSED DESIRE AND HOPE THAT U.S. WILL
JOIN ITC FOR FIFTH AGREEMENT.

7. EMBASSY WILL POUCH FIFTEENTH ITC SESSIONS DOCUMENTS
AS AVAILABLE.

8. GSA DIRECTOR STOCKPILE DISPOSALS BOB ROSS HAS AR-
RIVED IN KUALA LUMPUR TO PARTICIPATE AS "INVITED GUEST" AT
WORLD TIN TECHNICAL CONFERENCE SESSIONS OCT. 31-NOV 5.
AS FEE REQUIRED ATTEND TECHNICAL CONFERENCE, EMBASSY HAS
ASKED ROSS REPORT ON IMPORTANT ASPECTS WHICH WE WILL
CABLE FOLLOWING END OF TECHNICAL SESSION. END LIMITED
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